

Message Text

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ORIGIN NEA-11

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FOR THE AMBASSADOR AND MR. GERLACH

E.O. 11652: GDS

TAGS: EFIN

SUBJECT: TAXATION OF U.S. CITIZENS OVERSEAS -- UPDATE

1. FOLLOWING IS EXCERPT FROM JUNE 6 WASHINGTON POST REPORT ON TAX PROPOSALS. QUOTE: WAYS AND MEANS SUBCOMMITTEE INDICATED YESTERDAY IT IS ABOUT TO UNDO 1976 LEGISLATION THAT TIGHTENED THE TAX TREATMENT OF AMERICANS LIVING OVERSEAS -- AND MAY END UP RECOMMENDING AN ENLARGEMENT OF THE PRE-1976 TAX BREAK.

THE PANEL, HEADED BY REP JOE D. WAGGONER (D-LA.), BEGAN A DRAFTING SESSION YESTERDAY BY DECIDING TO CONSIDER SEVERAL OF THE MOST GENEROUS ALTERNATIVES THAT HAVE BEEN PROPOSED AND "THEN WORK DOWN FROM THERE."

MOST OBSERVERS EXPECT THE PANEL TO DRAFT A BILL THAT WOULD
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PROVIDE LARGE TAX BREAKS TO AMERICANS WORKING ABROAD. THE SENATE AND THE HOUSE ARE DEADLOCKED OVER PREVIOUS LEGISLATION. END QUOTE.

2. CHARLS WALKER REPORTS THAT HOUSE WAYS AND MEANS SUBCOMMITTEE CONSIDERING OVERHAUL OF SECTION 911 HAS PRODUCED A DRAFT VERY FAVORABLE TO U.S. TAXPAYERS OVERSEAS. WALKER

SAID SUBCOMMITTEE IS USING MOST GENEROUS PROVISIONS ON

COST OF LIVING, HOUSING, EDUCATION, HOME LEAVE, REST AND RECREATION, FROM BILLS SUBMITTED BY CONGRESSMEN JONES, HOLLINS, AND CRANE, AND BY TREASURY. ACCORDING TO WALKER, SUBCOMMITTEE WILL ALSO PROPOSE RESTORATION OF DOLS 20,000 EXCLUSION OR DOLS 25,000 EXCLUSION, LATTER FOR THOSE CITIZENS RESIDING MORE THAN THREE YEARS OVERSEAS. WALKER SAID EXCLUSIONS WOULD BOTH BE "OFF THE TOP" AND INDEXED FOR INFLATION. HE ADDED THAT ONLY "NEGATIVE" RECOMMENDATION BY SUBCOMMITTEE WAS THAT EXCLUSIONS WOULD NOT REPEAT NOT APPLY TO U.S. CITIZENS IN WESTERN EUROPE AND CANADA. THEY WOULD HOWEVER BE ALLOWED DEDUCTIONS.

3. NEA/ARP WILL ATTEMPT TO CALL AMBASSADOR MONDAY, JUNE 12, AT 9 A.M. WASHINGTON TIME.

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